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ADDENDUM

Since CIA 3 went to press the CFM has adjourned sine die. It is not expected that the breakdown of the Conference will result in any immediate change in Soviet policy. The USSR will probably not take any steps in Germany and Austria that would close the door to further East-West consultations--except in retaliation against some move by the Western Powers--until the success or failure of the Communists' actions against the European recovery program has been determined. The USSR will continue its efforts to strengthen its control in the Soviet Zone in Germany and intensify its propaganda efforts to convince the Germans that the Western Powers are responsible for the division of the country and that collaboration with the USSR constitutes the sole hope for the re-establishment of German unity. In Austria, the USSR will increase its efforts to undermine the Austrian Government by strengthening its hold on the Austrian economy and extending its political control in the Soviet Zone. The USSR may also attempt to reach a bilateral agreement with the Austrians on the German asset problem.

In the meantime, Soviet efforts to prevent the implementation of the European recovery program through the Communist offensives in France and Italy will be pressed to the maximum. If, by spring of 1948, these efforts appear to have failed and the US Congress has passed a reasonably promising long-term aid program for Europe, the USSR may be forced to decide upon a new policy. The basic alternatives would then be either a policy tending toward cooperation with the Western Powers with respect to the peace settlement and East-West economic relationships, or a policy tending toward isolationism based upon the indefinite partition of Europe along the line of established Soviet occupation and control. If the efforts to prevent the implementation of the European recovery program succeed, the USSR would then maintain its pressure to control France and Italy with a view to forcing the US to give up its positions in Germany and Austria and to abandon the continent to Soviet domination.

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